



Deschutes County Board of Commissioners
1300 NW Wall St., Suite 200, Bend, OR 97701-1960
(541) 388-6570 - Fax (541) 385-3202 - www.deschutes.org

AGENDA REQUEST & STAFF REPORT

For Board Business Meeting of March 11, 2015

DATE: 11.26.15

FROM: Jon Stark Local Zone Manager, REDI/EDCO 541-610-2118

TITLE OF AGENDA ITEM:

Consideration of Extended Abatement Agreement between Enterprise Zone Local Zone Sponsor and Ammunition Development Corporation

PUBLIC HEARING ON THIS DATE? No

BACKGROUND AND POLICY IMPLICATIONS:

Report in Brief:

This action considers an Enterprise Zone Extended Abatement Agreement for Ammunition Development Corporation, for one additional year of qualifying property tax abatement based on capital investment, new job creation and wages. Extended abatements are a local agreement of the enterprise zone sponsor(s) to extend the property tax abatement of a qualifying enterprise zone project for an either one or two years more than the standard three-year abatement, if the qualifying company has aggregated average compensation is 150% of the county's median wages.

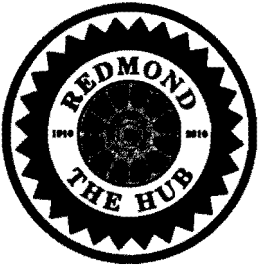
Extended abatements need to be approved by the sponsor(s) of the Enterprise Zone. It is the prerogative of the sponsor agency whether or not the approval is made by the governing body or administratively. The Greater Redmond Area Enterprise Zone (E-Zone) has three co-sponsors: the City of Redmond; Deschutes County; and the City of Sisters. Deschutes County's policy is that the Board of County Commissioners approves all extended enterprise zone agreements. The Redmond City Council approved and signed the Extended Abatement Agreement on February 24, 2015.

Background:

All employment lands in the City of Redmond are part of the (E-Zone). This program allows qualifying businesses and investments to receive 100% abatement of property taxes associated with the assessed value of new qualifying capital improvements. Companies continue to pay taxes on the value of the land and any capital investments that are not qualifying for the Enterprise Zone program. Depending upon the nature of the State program being used E-Zone abatements can range from three (3) years; to five (5) years (known as the Extended program), to as many as (fifteen) 15 years (known as the Super program). The duration of the abatement is connected to the number of jobs created and compensation level.

The three-year abatement does not have an average wage requirement; however, the Extended and Super programs require compensation that are certified at 150% of Deschutes County average annual compensation.

The Deschutes County's average annual compensation (as relevant to 2015 approvals) is \$37,751 per year (2013 data). 150 percent of that is \$56,627. Compensation under the criteria includes not only



CITY OF REDMOND
Community Development Department

716 SW Evergreen Avenue
Redmond, OR 97756
(541) 923-7721
Fax: (541) 548-0706
www.ci.redmond.or.us

STAFF REPORT

DATE: February 24, 2015
TO: Mayor and Council Members
THROUGH: Keith Witcosky, City Manager
THROUGH: Heather Richards, Community Development Director
FROM: Jon Stark, Redmond Economic Development Manager
SUBJECT: Extended Enterprise Zone Abatement Agreement –
Ammunition Development Corporation

Addresses Council Goal:

4. ECONOMIC DEVELOPMENT

Develop and maintain an environment that promotes and supports a strong, healthy and diverse economic base.

Report in Brief:

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Extended abatements need to be approved by the sponsor(s) of the Enterprise Zone. It is the prerogative of the sponsor agency whether or not the approval is made by the governing body or administratively. The Greater Redmond Area Enterprise Zone (E-Zone) has three co-sponsors: the City of Redmond; Deschutes County; and the City of Sisters. The City of Redmond's policy is that the Redmond City Council approves all extended enterprise zone agreements.

Background:

All employment lands in the City of Redmond are part of the (E-Zone). This program allows qualifying businesses and investments to receive 100% abatement of property taxes associated with the assessed value of new qualifying capital improvements. Companies continue to pay taxes on the value of the land and any capital investments that are not qualifying for the Enterprise Zone program. Depending upon the nature of the State program being used E-Zone abatements can range from three (3) years; to five (5) years (known as the Extended program), to as many as (fifteen) 15 years (known as the Super program). The duration of the abatement is connected to the number of jobs created and wage level. The three year abatement does not have an average wage requirement; however the Extended and Super programs require wages that are certified at 150% of Deschutes County average annual compensation.

The Deschutes County's average annual compensation (as relevant to 2015 approvals) is \$37,751 per year (2013 data). 150 percent of that is \$56,627. Compensation under the criteria includes not only salary, but overtime, medical and retirement benefits as well. Not all jobs created need to exceed the 150 percent average annual compensation criteria, but rather an average of the overall compensation for all jobs needs to exceed the 150 percent average annual compensation criteria.

Additionally, the City of Redmond waives or reduces, depending upon specific set criteria, land-use, building and permitting fees.

Discussion:

Ammunition Development Corporation is a new Redmond business development for Nosler Inc., a Bend-based bullet and ammunition manufacturer. Nosler will relocate some of its machinery from its Bend location and combine it with machinery recently acquired through a purchase of Silver State Armory from Packwood, Washington, to create a manufacturing plant focused on brass casings and ammunition. Ammunition Development Corp. plans to build a 35,000 sf facility to house its operations in Redmond, with an estimated value of \$3,500,000. The machinery's estimate value is \$3,000,000, for a total investment of \$6,500,000 associated with the abatement that are Enterprise zone eligible. The facility is scheduled to open by early 2016.

The firm has committed to creating 20 new jobs in Redmond by the first year of exemption as stated on the application.

The company's average annual compensation for its new employees will be greater than 150% of the Deschutes County average annual compensation, qualifying it for the Enterprise Zone Extended Abatement program 2016-2019, one additional year to the three-year abatement program.

Fiscal Impact:

This action will extend the property tax abatement from three years to four years.

Alternative Courses of Action:

1. Approve the Agreement for Oregon Enterprise Zone Extended Abatement for Ammunition Development Corporation.
2. Do not approve the Agreement for Oregon Enterprise Zone Extended Abatement for Ammunition Development Corporation, in which the firm would still be eligible for the "Standard" abatement of three (3) years.

Recommendation/Suggested Motion:

"I move to approve the Agreement for Oregon Enterprise Zone Extended Abatement for Ammunition Development Corporation."

Jon Stark,
Manager, Redmond Economic Development, Inc.



Agreement for Oregon Enterprise Zone Extended Abatement Greater Redmond Area Enterprise Zone

WRITTEN AGREEMENT WITH THE GREATER REDMOND AREA ENTERPRISE ZONE SPONSORS TO EXTEND PROPERTY TAX EXEMPTION TO FOUR (4) CONSECUTIVE YEARS IN TOTAL FOR CAPITAL INVESTMENT BY AMMUNITION DEVELOPMENT, CORPORATION.

The City of Redmond, Deschutes County and the City of Sisters, co-sponsors of the Greater Redmond Area Enterprise Zone (hereinafter "The Zone Sponsor") and Ammunition Development Corporation., (hereinafter "The Firm") do hereby enter into an agreement for extending the period of time in which The Firm shall receive an exemption on its proposed investment in qualified property in the Greater Redmond Area Enterprise Zone contingent on certain special requirements, under ORS 285C.160 (2003).

The Zone Sponsor and The Firm jointly acknowledge, that subject to timely submission and approval of an application for authorization and the satisfaction of other requirements under ORS 285C.050 to 285C.250, The Firm is eligible for three years of complete exemption on its qualified property; that nothing in this agreement shall modify or infringe on this three-year exemption or the requirements thereof, and that this agreement becomes null and void if The Firm does not qualify for these three years of the exemption.

The Zone Sponsor extends The Firm's property tax exemption one additional year on all property that initially qualifies in the Greater Redmond Area Enterprise Zone after the assessment year beginning on January 1, 2016 and, thus, sets a total period of exemption of four consecutive years during which statutory requirements for the standard three-year enterprise zone exemption must also be satisfied and maintained.

CONFIRMATION OF STATUTORY PROVISIONS

In order to receive the additional (1) one-year of enterprise zone exemption granted herein, The Firm agrees herewith under 285C.160(3)(a)(A) that for each year of the entire exemption period, The Firm's average annual compensation for all new employees is equal to or greater than 150 percent of the county average annual wage, in accordance with the specific definitions and guidelines in Oregon Administrative Rules (OAR 123-065-4100 - 4140) which provides that:

1. Such compensation may include non-mandatory benefits that can be monetized;
2. The county average annual wage is set at the time of authorization, except as pursuant to ORS 285C.160(4), according to the 2013 Deschutes County average annual payroll rate of \$37,751 for which 150 percent (includes total compensation package) equals \$56,627;
3. Only employees working at jobs filled for the first time after the application for authorization but by *December 31* of the first full year of the initial exemption and performed within the current boundaries of the Greater Redmond Area Enterprise Zone are counted; and

4. Only full-time, year-round and non-temporary employees engaged a majority of their time in The Firm's eligible operations consistent with ORS 285C.135 & 285C.200(3) are counted, regardless if such employees are leased, contracted for or otherwise obtained through an external agency or are employed directly by The Firm.

ACCEPTING FOR THE CO-SPONSORS OF THE GREATER REDMOND AREA ENTERPRISE ZONE:

Signature: _____
George Endicott, Mayor,
City of Redmond

Date: _____

Signature: _____
Anthony DeBone, Board Chair,
Deschutes County

Date: _____

Signature: _____
Chris Frye, Mayor,
City of Sisters

Date: _____

ACCEPTING FOR **AMMUNITION DEVELOPMENT CORPORATION:**

Signature: _____
Representative Signature

Date: _____

Printed Name / Title

Address

City, State, Zip

Phone / Fax

Email